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SUBJECT: BRAZIL: BTT-Receita Federal Lina Vieira and Ambassador

¶1. (SBU) SUMMARY: In a meeting with the new head of Receita Federal, Lina Vieira and the chief international tax negotiator Marcus Pontes, Vieira appeared focused, well-briefed and clearly knowledgeable both on general tax issues and very aware of domestic political atmospherics. She understood some English, but spoke only Portuguese. While appearing generally supportive of Bilateral Tax Treaty discussions with the United States, political difficulties in securing passage in the Brazilian congress of the Brazil-US Tax Information Exchange Agreement (TIEA), delays in GOB receiving a letter from Brazilian CEO Forum members affirming desire for a BTT, and internal reorganizational issues appear to be slowing progress toward a further round of negotiations. END SUMMARY

¶2. (SBU) Information proposal from Treasury: While initially characterizing this proposal as still under review by Receita Federal lawyers, during the course of the meeting Pontes acknowledged, "We are comfortable with the language Treasury proposed, but we can not respond with a greenlight while the TIEA is in such political trouble." Pontes added Receita is comfortable informally letting Treasury know the language is basically acceptable, but that the agency will not respond formally or in writing at this point. Vieira underlined, "we love it (the TIEA and information exchange under a BTT) because we get more from the United States than we are asked to give."

¶3. (SBU) September discussion dates response: Pontes said, with Vieira's agreement, that Receita Federal absolutely needed to have in hand the letter from the Brazilian CEO Forum members explaining why they want a BTT before Receita Federal, politically, could move to schedule a date for the next negotiating round. He noted Receita Federal had both the letter from the American CEO Forum representatives and from the National Foreign Trade Council to Treasury. Pontes said, again with Vieira agreeing, that Receita Federal can not, due to political optics, proceed with two letters from American business to USG wanting a BTT and nothing from Brazilian business to GOB. The Ambassador urged Receita to at least "pencil in" a date before getting this letter. He did not receive a commitment, but Vieira again emphasized information exchange, "is very valuable to us, I want to reinforce this point." Marcus added that the CEO Forum support noted in an August 15 Valor article was helpful, but Receita needs the letter addressed to the government outlining why Brazilian CEOs want a BTT. (NOTE: The letter signed by Brazilian CEO Forum chair Josue Gomes da Silva and dated August 29, was transmitted to Receita Federal on September 1. We understand Receita offered September 30-October 2 for the next round of discussions with Treasury).

¶4. (SBU) Op-Ed: Lina and Marcus enthusiastically welcomed the Ambassador's offer to do an op-ed under his name clarifying the USG position on the TIEA. Receita Federal reacted much more lukewarmly to an inquiry whether the mission reaching out directly to the Chamber's Constitutional committee would be helpful.

¶5. (SBU) Delaware: Receita Federal explained that law 11.727 will withdraw Implementing regulation 188 which lists tax haven countries and regions. Receita Federal must publish a new list to implement law 11.727. Pontes confirmed that Delaware is one of the regions under consideration as Receita decides on its new tax haven list.

Pontes noted that Receita Federal is worried about Brazilian companies that are "mis-using" Delaware and wants to address that perceived problem. No decisions on countries/regions to be identified as tax havens have been made.

¶6. (SBU) Comment: On August 28, Receita Federal asked to cancel the TDA-funded Global Customs Initiative workshop and reschedule for October. Receita Federal told post that Lina Vieira is required to concentrate on fully accessing/evaluating each regional operation of Receita Federal and will be travelling heavily this month while simultaneously learning the depth of the portfolio she assumed on July 31. Separately, Receita Federal informed FINATT that Receita Federal has been tasked by the Finance Ministry to develop a structural reform proposal for re-organizing the Agency, which has thrown the Secretary and her staff into overdrive. In sum, we are receiving strong signals that Receita Federal is devoting itself as its first priority to its own internal organization, structure, and way forward. This could impact Receita Federal's ability and readiness to engage with USG in the short-term on our various areas of cooperation with this agency. END COMMENT.

SOBEL